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Consumer business economic update

Volume 17 | April 2017

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Welcome to the 17th edition of Deloitte’s Consumer Business Economic Update, powered by our Financial Advisory practice. This update offers a snapshot of key Canadian Consumer Business economic and performance indicators across the Retail, Consumer Packaged Goods (CPG) and Travel, Hospitality and Leisure (THL) sectors. The update also aggregates analyst sentiment, and online search engine and social media trends.



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Observations from this issue

- The Canadian economy witnessed a slower growth of 2.4% in Q4 2016 as compared to the previous quarter.
- Consumer confidence worsened in Q4 2016 compared to Q3 2016.
- Same store sales year-over-year growth decreased by 60 bps in Q4 2016 from Q4 2015.
- This quarter witnessed a fall in growth rates in clothing and clothing accessories stores.
- Year-over-year Retail trade increased by 3.2%
- There was a rise in inbound visitors to Canada in Q4 2016 from Q4 2015.

Metric

Signal

Real GDP growth rate deteriorated in Q4 2016, from 3.6% in Q3 2016 to 2.4%.



Consumer prices forecast for 2017 remained unchanged at 2.1% in Q4 2016 to Q3 2016.



Unemployment rate outlook for 2017 remained unchanged at 6.9% in Q4 2016 from Q3 2016.



Consumer confidence deteriorated in Q4 2016 compared to the previous quarter.



Consumer expenditure growth declined to 0.6% in Q4 2016 from 0.7% in Q3 2016.



Housing starts outlook for 2017 increased to 186,000 from Q3 2016 to Q4 2016.



Source: Scotiabank, TD, CIBC, BMO, RBC, Bank of Canada

Note: Relevant metrics have been seasonally adjusted.¹

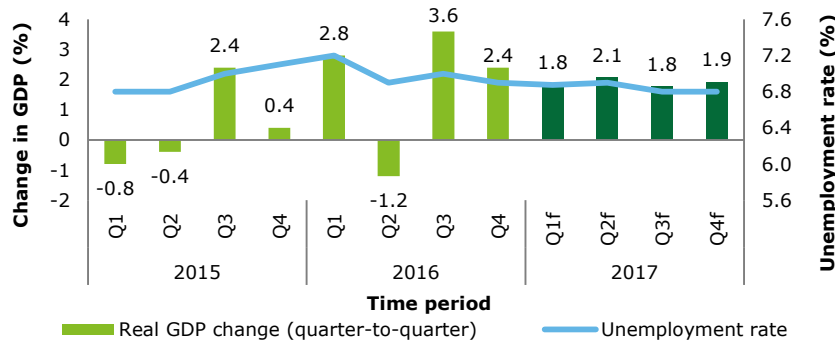
Canadian banks economic outlook

Macroeconomic indicator	Q4 2016 ²	2017 Forecast ³	Revision trend
Real GDP Growth (period-to-period, annualized)	2.4%	1.9%	▲
CPI Growth (year-over-year)	0.4%	2.1%	↔
Unemployment Rate (period avg. %)	6.9%	6.9%	↔
Housing starts (annualized, 000s) ⁷	170	186	▲
USDCAD exchange rate (end of period) ⁴	1.33	1.36	▲

Note: Revision trends indicate the direction of change in the 2017 forecast in the previous quarter.

Real gross domestic product and unemployment rate⁵

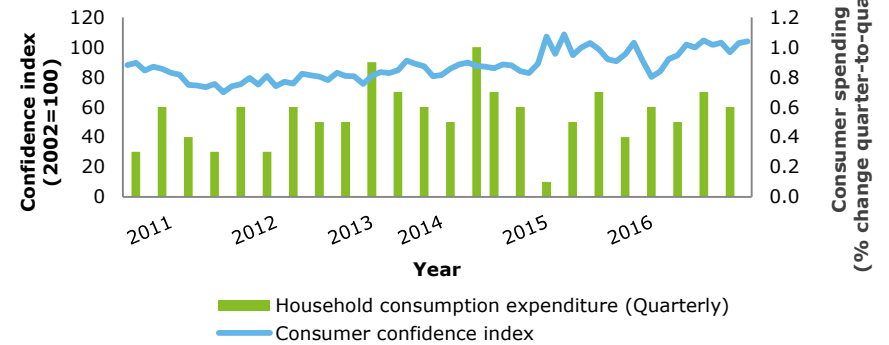
(Seasonally adjusted, annualized)



Source: Statistics Canada, Scotiabank, TD, CIBC, BMO, RBC, Deloitte analysis

Consumer confidence and household consumption

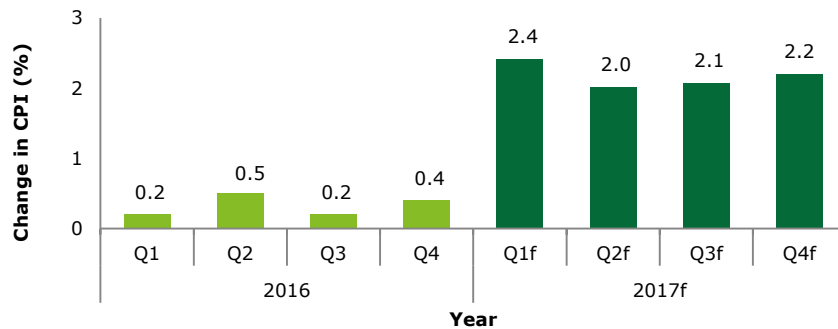
(Seasonally adjusted)



Source: Conference Board of Canada, Statistics Canada

Consumer price index⁶

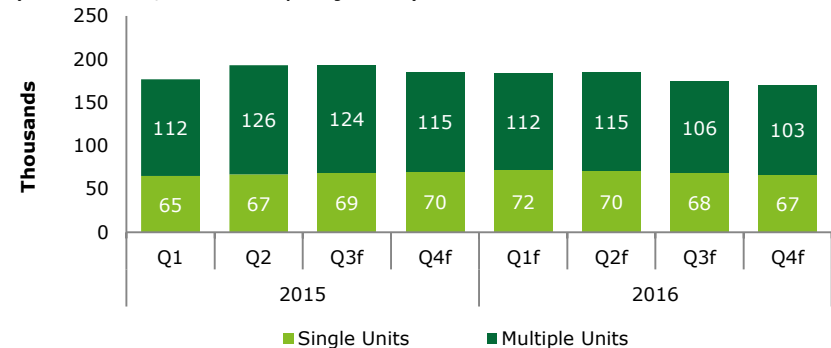
(Year-over-year, seasonally adjusted, 2011 basket)



Source: Statistics Canada, Scotiabank, TD, CIBC, BMO, RBC

Canadian housing starts outlook⁷

(Annualized, seasonally adjusted)



Source: CMHC

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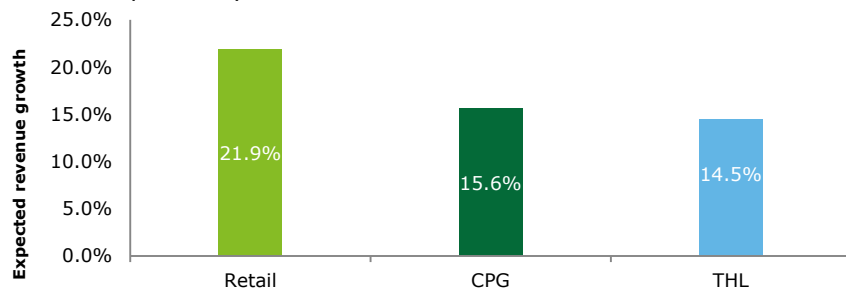
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Expected revenue growth⁸

Q2 2017 estimated revenue growth vs. Q2 2016 of five largest TSX-listed companies by sector.

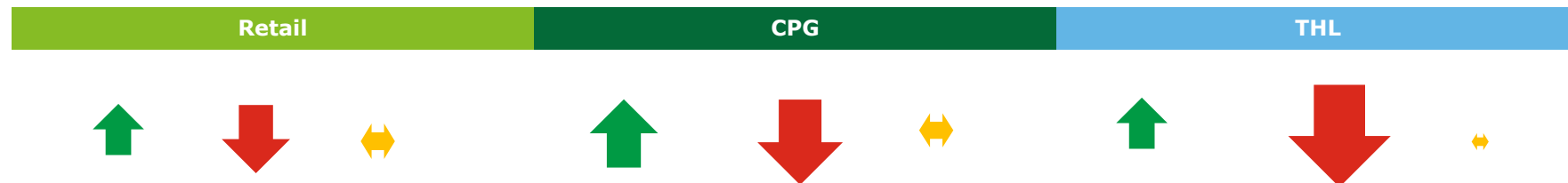


- Expected revenue growth in Q2 2017 is strongest for large Canadian Retail companies out of the three sectors, with revenue growth estimates to 21.9%.
- Revenue growth estimates for CPG and THL expected to 15.6% and 14.5% respectively.

Source: Capital IQ (as of Mar 3, 2017)

Revision trends⁹

FY17 revenue estimate revisions for the five largest TSX-listed companies by sector, between Jan 3rd, 2016 to Mar 3, 2017.



Notes: The size of arrows are relative to the number of analysts that have revised their revenue growth estimates up, down or held them constant.

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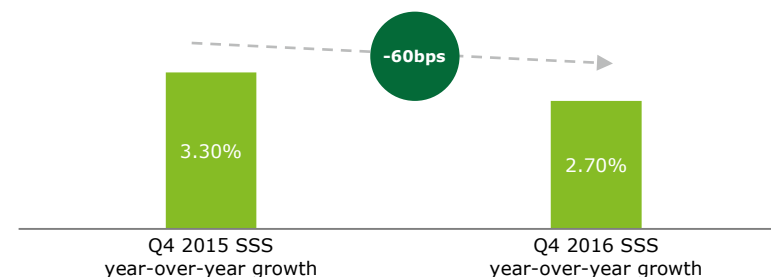
Sector signals

Retail sales year-over-year growth of 3.2% in Q4 2016 was lower compared to Q3 2016 of 3.3%. ●

Same store sales declined from Q4 2015 year-over-year growth of 3.3% to 2.7% in Q4 2016. ●

Same store sales growth of Canada’s largest retailers

(Most recently reported fiscal quarter versus one year ago)



Source: Capital IQ, Company reports (as of Feb 24, 2017)

Retail trends

- Retail sales growth was primarily led by building material, garden equipment & supplies stores and health & personal care stores.
- Compared to the previous quarter, sporting goods, hobby, book and music stores had a large decline in growth rate.
- Building material and garden equipment and supplies stores experienced year-over-year sales growth in Q4 2016 compared to the previous quarter.
- Year-over-year growth rate in clothing and clothing accessories stores dropped to 1.0% in Q4 2016 from 3.6% in Q3 2016.
- Same store sales growth increased in Q4 2016 compared to Q3 2016.

Retail sales growth by store category

(Quarterly, year-over-year, seasonally adjusted)



Source: Statistics Canada

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Sector signals

Hotel performance metrics improved in Q4 2016 compared to Q4 2015. ●

Inbound visitors to Canada increased from Q4 2015 to Q4 2016. ●

Food services sales increased from Q4 2015 to Q4 2016. ●

Travel, hospitality and leisure trends

- Hotel performance improved in Q4 2016 in terms of ADR, RevPAR and occupancy rate.
- Inbound visitors to Canada from overseas and the United States both increased in Q4 2016 as compared to Q4 2015.
- Foodservice sales grew across all categories except for special food services in Q4 2016.

ADR: Average Daily Rate, **RevPAR:** Revenue per Available Room

Inbound visitors to Canada

(overnight visits)(000s)

Metric	Q4 2015	Q4 2016	Change
United States	2,422	2,637	9% ▲
Overseas	973	1,170	20% ▲
Total Inbound	3,395	3,806	12% ▲

Source: Statistics Canada

Canadian hotel performance metrics

Metric	Q4 2015	Q4 2016	Change
Occupancy (%)	57	63	11% ▲
ADR	\$138	\$141	2% ▲
RevPAR	\$79	\$89	13% ▲

Source: Ontario Ministry of Tourism, Culture and Sport

Food services sales by type

(Seasonally adjusted, CAD millions)

Metric	Q4 2015	Q4 2016	Change
Full-service restaurants	6,784	7,155	6% ▲
Limited-service eating places	6,907	7,346	6% ▲
Special food services	1,341	1,339	(0.2%) ▼
Drinking places (Alcoholic Beverages)	584	614	5% ▲
Total sales	15,616	16,455	5% ▲

Source: Statistics Canada

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Finished food product prices increased for 8 reported product categories and declined for 3 product categories. ●

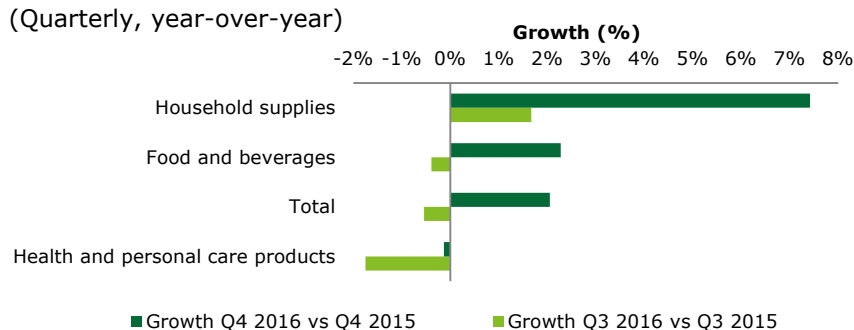
Total CPG sales showed an improvement in year-over-year growth in Q4 2016 compared to Q3 2016. ●

Raw material prices decreased in 7 out of 11 categories in Q4 2016 and increased in the remaining 4 categories. ●

CPG trends

- Finished food product prices experienced positive growth across all categories in Q4 2016 except for meat, flour products, and frozen foods.
- Input prices of coffee beans grew significantly in Q4 2016, while the price of hogs dropped sharply.
- Overall, CPG sales experienced higher year-over-year growth in Q4 2016 compared to the growth experienced in Q3 2016.

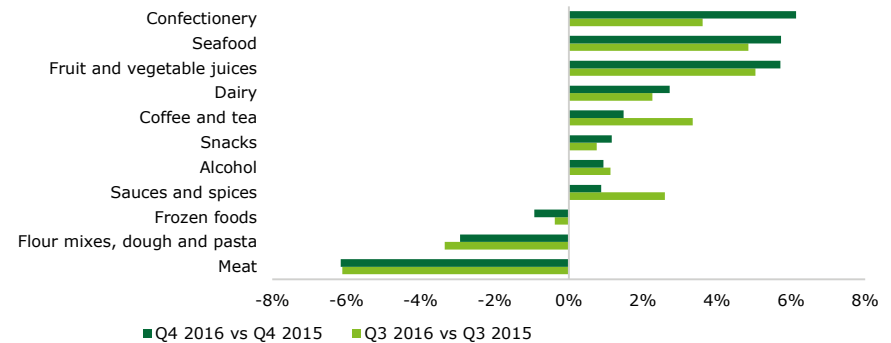
Sales growth by CPG category



Source: Statistics Canada

Growth of finished food product prices

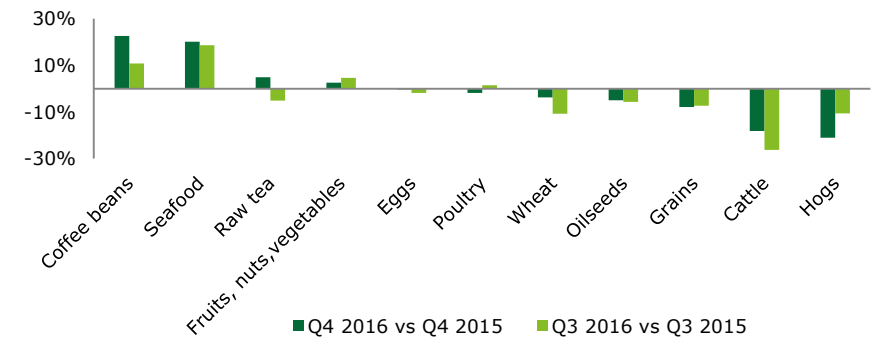
(Quarterly, year-over-year)



Source: Statistics Canada

Growth of raw material prices

(Quarterly, year-over-year)



Source: Statistics Canada

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Search engine trends

Shopping searches

- Kijiji, a free Canadian local classifieds site continued to retain its position as the top online search in the Shopping category by Canadians in Q4 2016. The second and third positions on the list are “Walmart”, the American multinational retail corporation that operates a chain of discount department stores and “Canadian tire”, Canadian retail company offering a range of automotive, sports and leisure and home products.
- The rising search topics include “Boxing Day”, a Canadian holiday every December 26 characterized by shopping when retailers offers deep discounts and deals, “Cyber Monday” and “Black Friday”, days of the American Thanksgiving weekend feature major retail shopping discounts.

Travel searches

- The top travel searches continue to vacation-related searches such as “air canada”, “flights” and “hotel.”
- Rising search terms include “Cypress Mountain”, a popular mountain for winter sports in in Vancouver; “Skiing”, a popular winter sport in Canada; and “Christmas Day”, a major religious and cultural holiday celebrated around the world on December 25.

Food and drink searches

- The top search item in this category was “pizza”. Ranking second and third on the list are “pizza pizza” and “restaurant”. Pizza Pizza Limited, a franchised Canadian pizza fast-food restaurant, ranked very well the past reporting periods. There is growing interest by Canadians in using the internet to order take-out and delivery food items.
- The top rising search terms were “Christmas”, “gingerbread”, “domesticated turkey”, all related to the Christmas holiday celebrated across Canada and its traditional recipes.

Top online searches by Canadians in Q4 2016

(Quarterly, period-to-period)

Rank	Food & drink	Travel	Shopping
1	pizza	air canada	kijiji
2	pizza pizza	flights	walmart
3	restaurant	hotel	canadian tire
4	recipes	flight	netflix
5	recette	westjet	amazon
6	best	hotels	best buy
7	food	google	costco
Rising*	Christmas	Cypress Mountain	Boxing Day
	Gingerbread	Skiing	Cyber Monday
	Domesticated turkey	Christmas Day	Black Friday

*Rising denotes search activity that has increased in Q4 2016 relative to Q3 2016

Source: Google Trends

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Social media trends

Twitter

- “BioWare” leads Canadian brands in Twitter followers as a video game developer known for creating rich stories and characters.
- “Panache Management” continued to in top 7 list as one of the most popular Twitter brands, likely owing to its image as a top model search agency.

YouTube

- “WestJet”, the Canadian airline, continued to on the top position due versus previous periods, likely due to its engaging customer interaction online.
- “Kijiji Canada” holds one of the top spots as the most popular brands on Canadian YouTube Channels and is an online classified bulletin services.

Facebook

- “Woodland” holds the top position as the most liked brand on Facebook; Woodland is internationally recognized as a retailer of extreme weather outdoor gear and outer wear.
- “Tim Hortons” continued to be in top 7 ranking list, and is one of the most popular Canadian fast food restaurants.

Most popular brands on Canadian YouTube channels

Rank	Brand	Total/recent uploaded video views (000s)
1	WestJet	89,042
2	Kijiji Canada	57,425
3	ChampsSports	56,383
4	McDonald’s Canada	54,656
5	ASUS North America	48,699
6	PushedToInsanity	42,743
7	TD	42,383
Trending*	WestJet	89,042
	Kijiji Canada	57,425
	ChampsSports	56,383

*Based on video views over the past month
Source: Socialbakers.com (as of February 24, 2017)

Most popular brands on Twitter among Canadians

Rank	Brand	Total followers (000s)
1	BioWare	1,722
2	dbrand	814
3	Panache Management	688
4	Game Hive	653
5	West jet	642
6	Tim Hortons	629
7	Champs Sports	477
Trending*	BioWare	1,722
	Tim Hortons	629
	Game Hive	653

*Based on new followers in past month as of February 24, 2017

Most liked brands on Facebook in Canada

Rank	Brand	Canadian likes (000s)
1	Woodland	3,239
2	Tim Hortons	2,954
3	Live in Canada	2,046
4	e.l.f cosmetics	1,885
5	Tanger Outlets	1,796
6	Pantene North America	1,501
7	Subway Canada	1,384
Trending*	CanadaVisa.com	+187
	Shopbot	+86
	NCIX	+62

*Based on new page ‘Total Fans’ in past month

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Publication notes:

1. Real GDP, consumer prices, unemployment rate, consumer expenditure and housing starts have been seasonally adjusted. Consumer confidence is not seasonally adjusted, since the Conference Board of Canada states there is insufficient evidence to conclude that seasonality is present in their consumer confidence index.
2. Q4 2016 data sources: Real GDP Growth, Unemployment Rate and Consumer Prices are from Statistics Canada. USDCAD exchange rate is based on the Dec 30, 2016 noon USDCAD exchange rate reported by the Bank of Canada.
3. Q1 – Q4 2017 forecasts are based on the average of reported figures by the following Canadian banks: Scotiabank, TD, CIBC, BMO and RBC.
4. USDCAD Exchange Rate means 1 USD = XXXX CAD.
5. Real GDP data up to Q4 2016 is from Statistics Canada. Q1 2017 onward is the average of the forecasts by the following Canadian Banks: Scotiabank, TD, CIBC, BMO and RBC. Unemployment rate until Q4 2016 is from Statistics Canada. Unemployment forecasts are based on the annual forecast from Canadian Banks: Scotiabank, TD, CIBC, BMO and RBC. Annualized GDP rates represent the quarter over quarter growth rates multiplied by four.
6. Historical CPI data (data until Q4 2016) is from Statistics Canada. Forecasted data is an average of Canadian bank forecasts from Scotiabank, TD, CIBC, BMO and RBC.
7. Actuals and forecasts are from CMHC based on their latest available housing market outlook report. Quarterly levels are seasonally adjusted at annual rates. Previously reported figures may differ in subsequent issues as CMHC often revises previously stated and forecasted figures.
8. Revenue growth estimates and revision trends for each sector excludes companies that have recently completed large mergers or acquisitions or for which there is no analyst coverage.
9. Revision trends indicate the number of analysts that have increased or decreased revenue estimates for Q2-2017 between Jan 3, 2017 to Mar 3, 2017.
10. From Statistics Canada Monthly Survey of Large Retailers. Household supplies are defined as household cleaning supplies, chemicals and paper products. Health and personal care products include personal care, health and beauty products (non-electric) and home health care sick room equipment and supplies, cosmetics and fragrances and other toiletries and personal care products. Health and personal care product sales do not necessarily relate to sales at health and personal care stores, which include pharmacies and drug stores, cosmetics, beauty supplies and perfume stores, optical goods stores and other health and personal care stores.

Note: Figures from Statistics Canada may differ from previous issues as they are often revised retroactively. Brands covered by socialbakers.com may differ from previous issues as social media accounts are often re-classified into different categories.

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